

# Hero Motocorp

## Well placed in the current cycle

4QFY20 Adj. EBITDA margins at 13.5% (flat YoY) were significantly ahead of our estimates. Hero has gained market share (+130bps) in FY20. We believe that the OEM is well placed in the current cycle due to its higher exposure to the rural segment/entry segment portfolio. We reiterate Hero as our preferred pick in the auto sector.

- 4QFY20 Financials:** Volumes declined by 25/13% YoY/QoQ to 1.33mn units. However, the average realization was up 6/3% at Rs 46.7k on higher BSVI dispatches (~half of 4Q vols). Revenue declined 21% YoY (vs. estimates of -25%). While reported EBITDA margin were at 10.6%, the adj. margins came in at 13.5% (flat YoY) - one offs included Rs 1.1bn (180bps) as compensation to dealers for BSIV stock, Rs 570mn towards GST related write down. While 4Q tax rates came in at 4.6%, full year tax rate was 20.6%. Reported PAT of Rs 6.2bn (-15/-30% YoY/QoQ) was above estimates.
- Call & other takeaways: (1) Downtrading:** As incomes are affected due to COVID-19, the management expects down trading. Further, customers are expected to move towards personal transport. These factors will drive entry-level bike sales. **(2) Sales picking-up:** Post the lockdown being relaxed, a positive uptick is seen pan-India expect in COVID affected states like Maharashtra and Gujarat. Early retails trends are encouraging at ~70% of pre-COVID levels. Hero is also launching the Xtreme 160cc bike shortly in the premium segment. **(3) Rural segment to drive volumes:** Given healthy agricultural activities such as a good crop, expectation of normal monsoons and reforms rolled out by the government, rural and semi-urban areas are expected to do better. Hero derives ~50% of sales from the rural segment and will benefit from its well spread service network. **(4) Financing:** In FY20, the total sales via financing was 43%; of which 46% was done by Hero Fincorp (vs. 41% in FY19). Banks are now stepping up to lend to this segment. **(5) Cost savings:** The co has rationalized capex spends for FY21 by nearly half to Rs 6bn and has doubled its target under the Leap-II program to 100bps. Commodities prices are expected to remain soft, which will be supportive of margins.
- Maintain BUY:** We increase our FY21/22E EPS by 15/13% to factor in the better than expected margin outlook. We value the stock at 17x on FY22E EPS (vs. 16x earlier), similar to its long term historic average trading multiple) and set a revised TP of Rs 2,650. The stock has an attractive dividend yield of ~4%. **Key risks:** Extended impact due to COVID, increase in competitive intensity.

### Financial Summary

YE Mar (Rs mn)	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY18	FY19	FY20P	FY21E	FY22E
Net Sales	62,384	78,850	(20.9)	69,967	(10.8)	322,305	336,505	288,361	265,893	299,881
EBITDA**	6,599	10,693	(38.3)	10,390	(36.5)	52,802	49,301	39,580	32,084	39,151
APAT	6,207	7,303	(15.0)	8,804	(29.5)	36,974	33,849	30,952	25,702	31,047
Adj. EPS (Rs)	31.1	36.6	(15.0)	44.1	(29.5)	185.1	169.5	155.0	128.7	155.5
APAT Growth (%)						7.5	(8.5)	(8.6)	(17.0)	20.8
P/E (x)						12.4	13.5	14.8	17.8	14.7
RoE (%)						33.8	27.5	22.9	17.3	19.2

Source: Company, HSIE Research \*\*In 4QFY20, Adjusted EBITDA margin at 13.5%

## BUY

CMP (as on 10 Jun 2020)	Rs 2,292
Target Price	Rs 2,650
NIFTY	10,116

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 2,210	Rs 2,650
EPS %	FY21E 15%	FY22E 13%

### KEY STOCK DATA

Bloomberg code	HMCL IN
No. of Shares (mn)	200
MCap (Rs bn) / (\$ mn)	458/6,059
6m avg traded value (Rs mn)	2,916
52 Week high / low	Rs 3,023/1,475

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.2	(1.6)	(16.5)
Relative (%)	21.1	13.3	(2.6)

### SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	34.6	34.6
FIs & Local MFs	19.6	19.9
FPIs	35.3	34.3
Public & Others	10.5	11.2
Pledged Shares	0.0	0.0

Source : BSE

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**Quarterly Financial Snapshot**

*Contribution of BSVI vehicles was 50% to 4QFY20 volumes. Realisations increased ~6/3% YoY/QoQ due to the same*

*Current inventory levels are under check post the BSVI transition*

*Adj. EBITDA margin is 13.5% (reported 10.6%) - one-time support of Rs 1.1bn provided to the dealers, Rs 0.6bn on GST related tax write down*

*While tax rate in 4Q was 4.6%, FY20 blended tax rates were at 20.6%*

*Hero declared a dividend of Rs 90, resulting in a dividend yield of ~4%*

Particulars (Rs mn)	4Q	4Q	YoY	3Q	QoQ	FY20	FY19	YoY (%)
	FY20	FY19	(%)	FY20	(%)			
Volumes (in units)	1,334,511	1,781,160	(25.1)	1,540,868	(13.4)	6,409,719	7,820,741	(18.0)
Net ASP (Rs/veh)	46,747	44,269	5.6	45,408	2.9	44,988	43,027	4.6
<b>Net sales (incl OOI)</b>	<b>62,384</b>	<b>78,850</b>	<b>(20.9)</b>	<b>69,967</b>	<b>(10.8)</b>	<b>288,361</b>	<b>336,505</b>	<b>(14.3)</b>
Material Expenses	43,200	54,385	(20.6)	46,598	(7.3)	196,974	233,177	(15.5)
Employee Expenses	4,354	4,473	(2.7)	4,697	(7.3)	18,417	17,302	6.4
Other Operating Expenses	8,231	9,298	(11.5)	8,282	(0.6)	33,390	36,725	(9.1)
<b>Total Expenditure</b>	<b>55,785</b>	<b>68,156</b>	<b>(18.2)</b>	<b>59,578</b>	<b>(6.4)</b>	<b>248,781</b>	<b>287,205</b>	<b>(13.4)</b>
<b>EBITDA</b>	<b>6,599</b>	<b>10,693</b>	<b>(38.3)</b>	<b>10,390</b>	<b>(36.5)</b>	<b>39,580</b>	<b>49,301</b>	<b>(19.7)</b>
Depreciation	1,747	1,502	16.3	2,037	(14.2)	8,180	6,022	35.8
EBIT	4,852	9,191	(47.2)	8,352	(41.9)	31,400	43,279	(27.4)
Other Income (including EO)	1,695	1,642	3.2	1,822	(7.0)	14,557	6,913	110.6
Interest Cost	41	22	85.4	59	(31.4)	220	84	160.9
PBT	6,506	10,811	(39.8)	10,115	(35.7)	45,737	50,107	(8.7)
Tax	299	3,508	(91.5)	1,311	(77.2)	9,404	16,259	(42.2)
<b>RPAT</b>	<b>6,207</b>	<b>7,303</b>	<b>(15.0)</b>	<b>8,804</b>	<b>(29.5)</b>	<b>36,333</b>	<b>33,849</b>	<b>7.3</b>
EO Items (Adj For Tax)	-	-	-	-	-	(5,381)	-	-
<b>APAT</b>	<b>6,207</b>	<b>7,303</b>	<b>(15.0)</b>	<b>8,804</b>	<b>(29.5)</b>	<b>30,952</b>	<b>33,849</b>	<b>(8.6)</b>
<b>Adj EPS</b>	<b>31.1</b>	<b>36.6</b>	<b>(15.0)</b>	<b>44.1</b>	<b>(29.5)</b>	<b>155.0</b>	<b>169.5</b>	<b>(8.6)</b>

Source: Company, HSIE Research

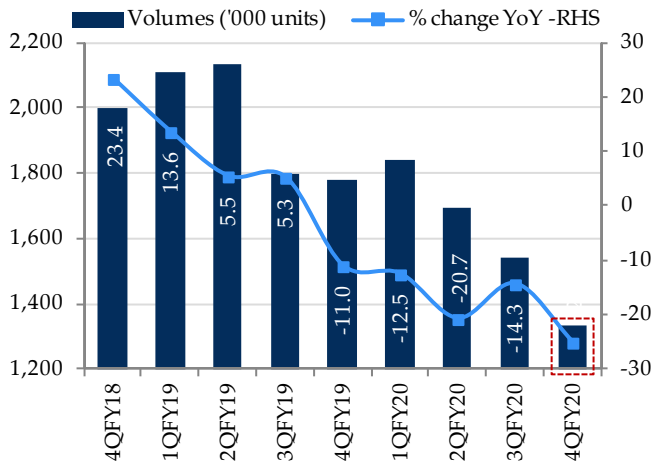
**Quarterly Performance Analysis**

As % of sales	4Q	4Q	YoY	3Q	QoQ	FY20	FY19	YoY (bps)
	FY20	FY19	(bps)	FY20	(bps)			
Material Expenses	69.2	69.0	27	66.6	265	68.3	69.3	(99)
Employee Expenses	7.0	5.7	131	6.7	27	6.4	5.1	124
Other Operating Expenses	13.2	11.8	140	11.8	136	11.6	10.9	67
Total Expenditure	89.4	86.4	298	85.2	427	86.3	85.3	93
<b>EBITDA</b>	<b>10.6</b>	<b>13.6</b>	<b>(298)</b>	<b>14.8</b>	<b>(427)</b>	<b>13.7</b>	<b>14.7</b>	<b>(93)</b>
<b>Adj. EBITDA margin</b>	<b>13.5</b>	<b>13.6</b>	<b>(6)</b>	<b>14.8</b>	<b>(135)</b>	<b>13.7</b>	<b>14.7</b>	<b>(93)</b>
RPAT	9.9	9.3	69	12.6	(263)	12.6	10.1	254
<b>APAT</b>	<b>9.9</b>	<b>9.3</b>	<b>69</b>	<b>12.6</b>	<b>(263)</b>	<b>10.7</b>	<b>10.1</b>	<b>67</b>
Tax as % of PBT	4.6	32.4	(2,786)	13.0	(837)	20.6	32.4	(1,189)

Source: Company, HSIE Research

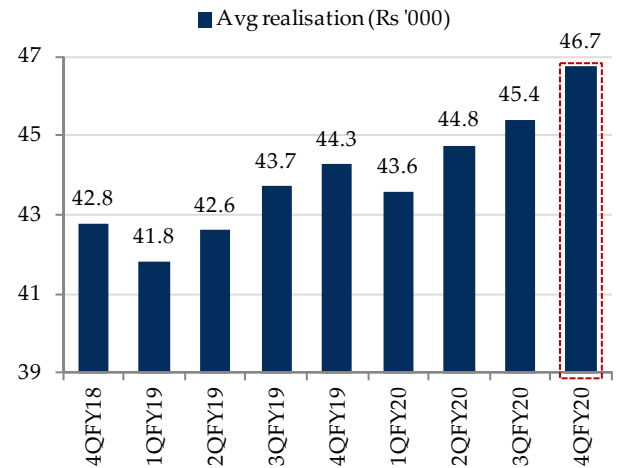
# Hero Motocorp: Results Review 4QFY20

## Volumes affected due to COVID impact



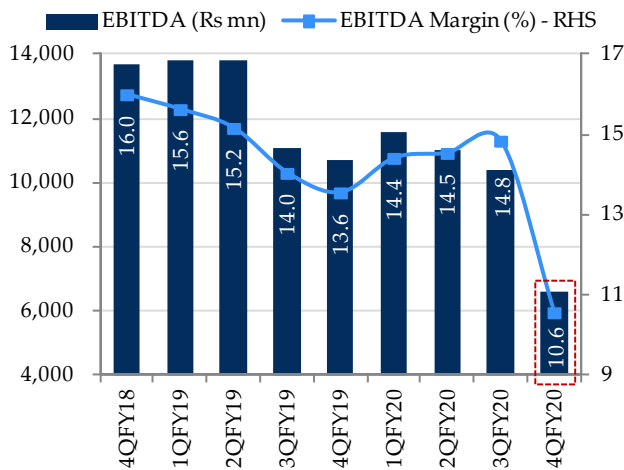
Source: Company, HSIE Research

## Realizations grew owing to BSVI price hikes



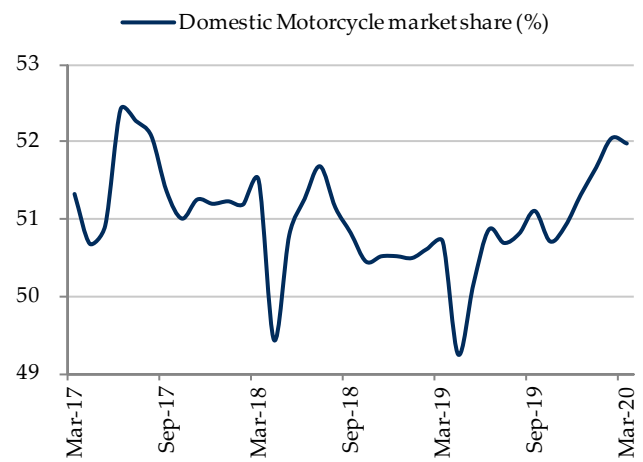
Source: Company, HSIE Research

## EBITDA margins are impacted by one-offs



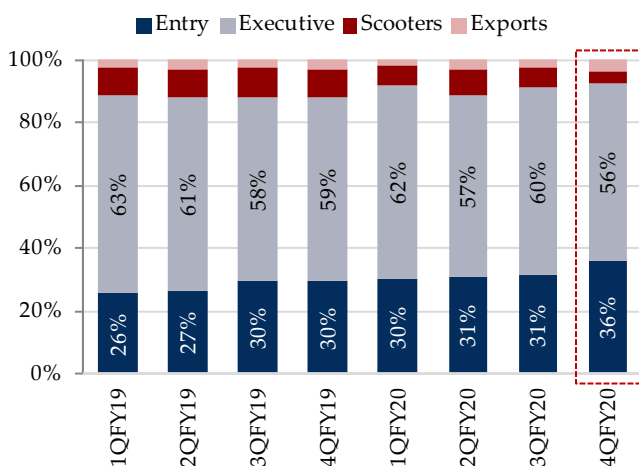
Source: Company, HSIE Research

## Hero has gained market share in FY20



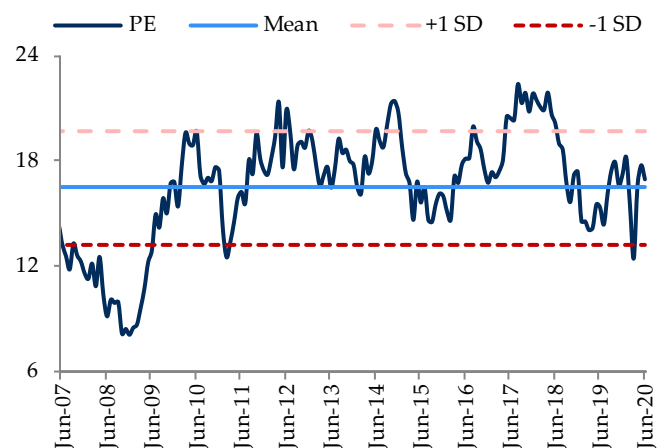
Source: SIAM, Company, HSIE Research

## Hero's segmental mix (%): Higher share of entry bikes



Source: SIAM, Company, HSIE Research

## Rolling forward P/E band (x)



Source: Bloomberg, Company, HSIE Research

**Volume assumptions**

(in '000 units)	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Motorcycle sales</b>	<b>5,834</b>	<b>6,677</b>	<b>7,081</b>	<b>6,073</b>	<b>5,267</b>	<b>5,779</b>
% YoY	2%	14%	6%	-14%	-13%	10%
<b>Scooter sales</b>	<b>830</b>	<b>910</b>	<b>740</b>	<b>337</b>	<b>289</b>	<b>316</b>
% YoY	-7%	10%	-19%	-54%	-14%	10%
<b>Total sales</b>	<b>6,664</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,555</b>	<b>6,096</b>
% YoY	0%	14%	3%	-18%	-13%	10%
<b>Avg realisation (Rs)</b>	<b>42,729</b>	<b>42,480</b>	<b>43,027</b>	<b>44,988</b>	<b>47,863</b>	<b>49,196</b>
% YoY	0%	-1%	1%	5%	6%	3%

Source: Company, HSIE Research

**Peer set comparison**

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	Adj EPS (Rs/sh)			P/E (x)			RoE (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Ashok Leyland	155	53	REDUCE	46	1.2	1.0	3.5	43.6	52.7	15.0	4.2	3.4	11.4
Bajaj Auto	787	2,721	ADD	2,850	176.2	149.4	167.6	15.4	18.2	16.2	22.9	18.2	18.8
Eicher	465	17,050	REDUCE	13,800	645.0	542.3	677.2	26.4	31.4	25.2	18.2	13.5	15.0
Escorts Ltd.	116	944	BUY	950	55.4	49.9	63.1	17.0	18.9	15.0	15.1	12.0	12.2
<b>Hero Motocorp</b>	<b>458</b>	<b>2,292</b>	<b>BUY</b>	<b>2,650</b>	<b>155.0</b>	<b>128.7</b>	<b>155.5</b>	<b>14.8</b>	<b>17.8</b>	<b>14.7</b>	<b>22.9</b>	<b>17.3</b>	<b>19.2</b>
Mahindra & Mahindra	564	474	ADD	410	31.3	24.1	31.9	15.1	19.7	14.8	10.2	7.3	9.1
Maruti Suzuki	1,710	5,664	BUY	5,810	187.1	146.0	252.4	30.3	38.8	22.4	11.7	8.5	13.6

Source: HSIE Research

**Change in Estimates**

Rs mn	New		Old		Change (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Net Sales	265,893	299,881	257,559	288,152	3	4
EBITDA	32,084	39,151	28,889	35,892	11	9
EBITDA margin (%)	12.1	13.1	11.2	12.5	85 bps	60 bps
Adj PAT	25,702	31,047	22,428	27,578	15	13
Adj EPS (in Rs)	128.7	155.5	112.3	138.1	15	13

Source: HSIE Research

## Financials

### Standalone Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
<b>Net Revenues</b>	<b>275,853</b>	<b>284,427</b>	<b>284,750</b>	<b>322,305</b>	<b>336,505</b>	<b>288,361</b>	<b>265,893</b>	<b>299,881</b>
<i>Growth (%)</i>	<i>10.2</i>	<i>3.1</i>	<i>0.1</i>	<i>13.2</i>	<i>4.4</i>	<i>(14.3)</i>	<i>(7.8)</i>	<i>12.8</i>
Material Expenses	197,539	193,098	190,118	218,346	233,177	196,974	183,449	206,151
Employee Expenses	11,729	13,159	13,960	15,401	17,302	18,417	18,347	19,192
Other Operating Expenses	31,163	33,620	34,324	35,755	36,725	33,390	32,014	35,386
<b>Total Expenses</b>	<b>240,431</b>	<b>239,877</b>	<b>238,402</b>	<b>269,503</b>	<b>287,205</b>	<b>248,781</b>	<b>233,809</b>	<b>260,730</b>
<b>EBITDA</b>	<b>35,422</b>	<b>44,550</b>	<b>46,348</b>	<b>52,802</b>	<b>49,301</b>	<b>39,580</b>	<b>32,084</b>	<b>39,151</b>
<i>EBITDA Margin (%)</i>	<i>12.8</i>	<i>15.7</i>	<i>16.3</i>	<i>16.4</i>	<i>14.7</i>	<i>13.7</i>	<i>12.1</i>	<i>13.1</i>
<i>EBITDA Growth (%)</i>	<i>7.6</i>	<i>25.8</i>	<i>4.0</i>	<i>13.9</i>	<i>(6.6)</i>	<i>(19.7)</i>	<i>(18.9)</i>	<i>22.0</i>
Depreciation	5,400	4,376	4,927	5,556	6,020	8,180	6,957	7,783
<b>EBIT</b>	<b>30,022</b>	<b>40,173</b>	<b>41,421</b>	<b>47,246</b>	<b>43,281</b>	<b>31,400</b>	<b>25,127</b>	<b>31,368</b>
Other Income (Including EO Items)	3,377	4,224	7,157	5,258	6,913	14,557	8,013	8,636
Interest	111	49	61	63	86	220	189	201
<b>PBT</b>	<b>33,288</b>	<b>44,349</b>	<b>48,517</b>	<b>52,442</b>	<b>50,107</b>	<b>45,737</b>	<b>32,951</b>	<b>39,803</b>
Tax (Incl Deferred)	9,432	12,747	12,813	15,468	16,259	9,404	7,249	8,757
<b>RPAT</b>	<b>23,856</b>	<b>31,602</b>	<b>35,704</b>	<b>36,974</b>	<b>33,849</b>	<b>36,333</b>	<b>25,702</b>	<b>31,047</b>
EO (Loss) / Profit (Net Of Tax)	1,550	-	(1,318)	-	-	(5,381)	-	-
<b>APAT</b>	<b>24,914</b>	<b>31,602</b>	<b>34,386</b>	<b>36,974</b>	<b>33,849</b>	<b>30,952</b>	<b>25,702</b>	<b>31,047</b>
<i>APAT Growth (%)</i>	<i>33.8</i>	<i>26.8</i>	<i>8.8</i>	<i>7.5</i>	<i>(8.5)</i>	<i>(8.6)</i>	<i>(17.0)</i>	<i>20.8</i>
<b>Adjusted EPS (Rs)</b>	<b>124.8</b>	<b>158.2</b>	<b>172.2</b>	<b>185.1</b>	<b>169.5</b>	<b>155.0</b>	<b>128.7</b>	<b>155.5</b>
<i>EPS Growth (%)</i>	<i>33.8</i>	<i>26.8</i>	<i>8.8</i>	<i>7.5</i>	<i>(8.5)</i>	<i>(8.6)</i>	<i>(17.0)</i>	<i>20.8</i>

Source: Company, HSIE Research

### Standalone Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital - Equity	399	399	399	399	399	399	399	399
Reserves	65,014	87,945	100,714	117,289	128,172	141,912	153,635	168,506
<b>Total Shareholders Funds</b>	<b>65,413</b>	<b>88,344</b>	<b>101,113</b>	<b>117,689</b>	<b>128,571</b>	<b>142,311</b>	<b>154,034</b>	<b>168,905</b>
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Deferred Taxes	(735)	2,225	4,143	5,117	5,365	5,472	5,582	5,693
<b>TOTAL SOURCES OF FUNDS</b>	<b>64,678</b>	<b>90,569</b>	<b>105,256</b>	<b>122,805</b>	<b>133,936</b>	<b>147,784</b>	<b>159,616</b>	<b>174,599</b>
<b>APPLICATION OF FUNDS</b>								
Net Block	29,127	39,014	45,899	47,692	47,998	52,318	51,361	51,668
CWIP	7,126	2,883	2,707	2,038	3,607	3,679	3,311	2,980
Investments	8,638	5,937	8,758	10,209	15,718	16,032	17,635	19,399
<b>Total Non-current Assets</b>	<b>44,891</b>	<b>47,834</b>	<b>57,364</b>	<b>59,938</b>	<b>67,322</b>	<b>72,029</b>	<b>72,307</b>	<b>74,046</b>
Cash & Equivalents	24,496	41,187	51,508	66,456	45,333	57,188	67,117	78,598
Inventories	8,155	6,730	6,563	8,236	10,724	9,480	10,199	11,502
Debtors	13,896	12,828	15,619	15,202	28,216	22,121	21,854	23,826
Other Current Assets	13,045	17,150	15,889	17,556	24,817	25,894	27,096	28,503
<b>Total Current Assets</b>	<b>59,591</b>	<b>77,894</b>	<b>89,578</b>	<b>107,450</b>	<b>109,090</b>	<b>114,683</b>	<b>126,266</b>	<b>142,429</b>
Creditors	28,419	26,506	32,473	33,188	33,553	29,231	28,411	30,399
Other Current Liabilities & Provns	11,385	8,654	9,214	11,395	8,923	9,697	10,547	11,478
<b>Total Current Liabilities</b>	<b>39,804</b>	<b>35,159</b>	<b>41,686</b>	<b>44,583</b>	<b>42,476</b>	<b>38,929</b>	<b>38,957</b>	<b>41,877</b>
<b>Net Current Assets</b>	<b>19,787</b>	<b>42,735</b>	<b>47,892</b>	<b>62,867</b>	<b>66,614</b>	<b>75,755</b>	<b>87,309</b>	<b>100,552</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>64,678</b>	<b>90,569</b>	<b>105,256</b>	<b>122,805</b>	<b>133,936</b>	<b>147,784</b>	<b>159,616</b>	<b>174,599</b>

Source: Company, HSIE Research

### Standalone Cash Flow

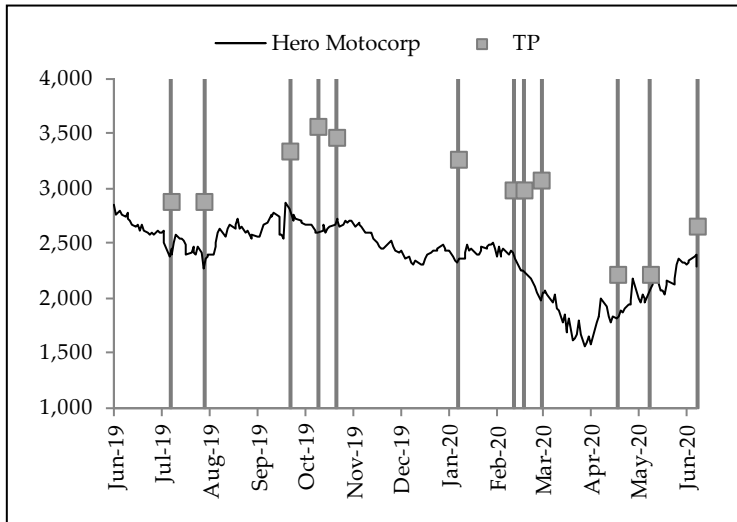
(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Reported PBT	33,288	44,349	48,517	52,442	50,107	45,737	32,951	39,803
Non-operating & EO Items	(3,377)	(4,224)	(7,157)	(5,258)	(6,913)	(14,557)	(8,013)	(8,636)
Interest Expenses	111	49	61	63	86	220	189	201
Depreciation	5,400	4,376	4,927	5,556	6,020	8,180	6,957	7,783
Working Capital Change	(13,389)	(6,257)	5,164	(27)	(24,871)	2,714	(1,625)	(1,763)
Tax Paid	(9,107)	(9,786)	(10,895)	(14,495)	(16,010)	(9,297)	(7,140)	(8,645)
<b>OPERATING CASH FLOW ( a )</b>	<b>12,925</b>	<b>28,507</b>	<b>40,617</b>	<b>38,280</b>	<b>8,420</b>	<b>32,997</b>	<b>23,319</b>	<b>28,743</b>
Capex	(10,679)	(10,021)	(11,636)	(6,679)	(7,895)	(12,572)	(5,632)	(7,759)
Free Cash Flow (FCF)	2,247	18,486	28,981	31,602	525	20,425	17,687	20,984
Investments	(509)	2,701	(2,821)	(1,451)	(5,509)	(314)	(1,603)	(1,764)
Non-operating Income	3,377	4,224	7,157	5,258	6,913	14,557	8,013	8,636
<b>INVESTING CASH FLOW ( b )</b>	<b>(7,811)</b>	<b>(3,096)</b>	<b>(7,300)</b>	<b>(2,872)</b>	<b>(6,491)</b>	<b>1,671</b>	<b>778</b>	<b>(886)</b>
Debt Issuance/(Repaid)	-	-	-	-	-	-	-	-
Interest Expenses	(111)	(49)	(61)	(63)	(86)	(220)	(189)	(201)
FCFE	2,136	18,437	28,920	31,539	439	20,205	17,498	20,783
Share Capital Issuance	(2,460)	5,707	(5,961)	(1,426)	(5,593)	(4,620)	0	-
Dividend	(11,982)	(14,378)	(16,975)	(18,972)	(17,374)	(17,973)	(13,979)	(16,176)
<b>FINANCING CASH FLOW ( c )</b>	<b>(14,553)</b>	<b>(8,720)</b>	<b>(22,996)</b>	<b>(20,460)</b>	<b>(23,052)</b>	<b>(22,813)</b>	<b>(14,168)</b>	<b>(16,377)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(9,438)</b>	<b>16,691</b>	<b>10,321</b>	<b>14,949</b>	<b>(21,123)</b>	<b>11,855</b>	<b>9,929</b>	<b>11,480</b>
Closing Cash & Equivalents	24,496	41,187	51,508	66,456	45,333	57,188	67,117	78,598

### Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
<b>PROFITABILITY (%)</b>								
GPM	28.4	32.1	33.2	32.3	30.7	31.7	31.0	31.3
EBITDA Margin	12.8	15.7	16.3	16.4	14.7	13.7	12.1	13.1
EBIT Margin	10.9	14.1	14.5	14.7	12.9	10.9	9.5	10.5
APAT Margin	9.0	11.1	12.1	11.5	10.1	10.7	9.7	10.4
RoE	41.0	41.1	36.3	33.8	27.5	22.9	17.3	19.2
RoIC (or Core RoCE)	70.3	63.9	59.1	60.5	40.3	27.8	21.4	26.0
RoCE	41.9	40.8	35.1	32.5	26.4	22.1	16.8	18.7
<b>EFFICIENCY</b>								
Tax Rate (%)	28.3	28.7	26.4	29.5	32.4	20.6	22.0	22.0
Fixed Asset Turnover (x)	9.5	7.3	6.2	6.8	7.0	5.5	5.2	5.8
Inventory (days)	10.8	8.6	8.4	9.3	11.6	12.0	14.0	14.0
Debtors (days)	18.4	16.5	20.0	17.2	30.6	28.0	30.0	29.0
Other Current Assets (days)	17.3	22.0	20.4	19.9	26.9	32.8	37.2	34.7
Payables (days)	37.6	34.0	41.6	37.6	36.4	37.0	39.0	37.0
Other Current Liab & Provns (days)	15.1	11.1	11.8	12.9	9.7	12.3	14.5	14.0
Cash Conversion Cycle (days)	(6.2)	2.0	(4.6)	(4.1)	23.1	23.5	27.7	26.7
Debt/EBITDA (x)	(0.7)	(0.9)	(1.1)	(1.3)	(0.9)	(1.4)	(2.1)	(2.0)
Net D/E (x)	(0.4)	(0.5)	(0.5)	(0.6)	(0.4)	(0.4)	(0.4)	(0.5)
Interest Coverage (x)	270.7	821.5	684.6	755.9	503.3	142.6	132.9	156.1
<b>PER SHARE DATA (Rs)</b>								
EPS	124.8	158.2	172.2	185.1	169.5	155.0	128.7	155.5
CEPS	146.5	180.2	203.5	213.0	199.6	222.9	163.5	194.4
Dividend	60.0	72.0	85.0	95.0	87.0	90.0	70.0	81.0
Book Value	328	442	506	589	644	713	771	846
<b>VALUATION</b>								
P/E (x)	18.4	14.5	13.3	12.4	13.5	14.8	17.8	14.7
P/BV (x)	7.0	5.2	4.5	3.9	3.6	3.2	3.0	2.7
EV/EBITDA (x)	12.2	9.4	8.8	7.4	8.4	10.1	12.2	9.7
EV/Revenues (x)	1.6	1.5	1.4	1.2	1.2	1.4	1.5	1.3
OCF/EV (%)	3.0	6.8	10.0	9.8	2.0	8.2	6.0	7.6
FCF/EV (%)	0.5	4.4	7.1	8.1	0.1	5.1	4.5	5.5
FCFE/Mkt Cap (%)	0.5	4.0	6.3	6.9	0.1	4.4	3.8	4.5
Dividend Yield (%)	2.6	3.1	3.7	4.1	3.8	3.9	3.1	3.5

Source: Company, HSIE Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
10-Jul-19	2,444	BUY	2,875
31-Jul-19	2,259	BUY	2,875
22-Sep-19	2,863	BUY	3,335
11-Oct-19	2,598	BUY	3,560
24-Oct-19	2,713	BUY	3,460
9-Jan-20	2,318	BUY	3,260
13-Feb-20	2,423	BUY	2,980
21-Feb-20	2,240	BUY	2,980
2-Mar-20	2,052	BUY	3,070
20-Apr-20	1,837	BUY	2,210
11-May-20	2,086	BUY	2,210
10-Jun-20	2,292	BUY	2,650

From 2<sup>nd</sup> March 2020, we have moved to new rating system

**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential



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